

From: Bill Trenchard
Subject: Reg Z - Truth in Lending

Comments:

I want to comment about the serious hardship the Credit Card Accountability, Responsibility and Disclosures Act of 2009 (CARD Act) will cause to credit unions and our members. Missouri Central Credit Union has approximately 8,800 members and 2,400 outstanding loans to these members, of which about 800 are credit card loans. Our credit union and members will suffer a tremendous hardship by the inclusion of multi-featured, open end lending programs in the requirements of this act and regulation. We do not object to the new requirements for our credit card program.

Many credit unions use multi-featured, open end lending programs to originate most all of their loans including auto loans and signature loans which are currently allowed under the Truth in Lending Act. At Missouri Central Credit Union we use the multi-featured, open end lending system for most all of our loans in order to make it more convenient for our members to get a loan processed. The multi-featured, open end lending system allows a member to sign a credit agreement one time and then the credit union can make future installment loans to these members, including auto loans and signature loans, without having to sign a new credit agreement. This is more convenient to our members in that after they have signed the original credit agreement we can handle future loan applications over the phone and send them the loan check or deposit it into their account without them having to come into the credit union to sign new papers or have to mail new loan documents to them to have to sign and mail them back to us. Each time a member gets a new loan advance for an auto loan or a signature loan the payment is a fixed payment amount over the life of the loan. The CARD Act treats these loans as if they were just like revolving credit loans.

Including multi-featured, open end lending plans in the Card Act and requiring a periodic statement twenty-one days in advance of the loan due date will totally disrupt our lending, data processing and accounting operations and does a grave disservice to our members. Many of our loans have weekly or bi-weekly payment frequencies and our members like to be able to schedule loan payment to be due on their pay dates. Our members also like the convenience to choose what day of the month they want their loan payments to be due. Many credit unions, as do we, just send one consolidated statement to members showing the transactions on all of their deposit and loan accounts on the one statement. The statements are mailed out either monthly or quarterly according to Regulation E requirements.

To force us to retroactively change the credit agreements on most all of our existing loans by changing the due dates and the frequency of loan payments on our member loans to allow a monthly statement to be mailed 21 days before the payment due date will create much confusion for our members and anger towards the credit union. The members had set up these terms the way they had wanted them. These loans are different than credit card loans, they have a fixed payment amount that does not change and daily interest is accrued and collected based on how many days between loan payments, there is no grace period and late charges are collected only when a late payment is made. Credit card regulations do not work with these type of installment loans.

The burden and cost to change the entire lending operations, data processing and accounting systems of credit unions to meet this new law and regulatory requirement that treat open end auto loans the same way as credit card loans is something that does not make sense. Trying to meet the requirements of an August 20, 2009 effective date will create mass errors and mistakes and member confusion and create a lack of trust in our financial institution and of government regulation.

Even though we think it is necessary to change the law and will work to do so, we know that the Federal Reserve does not have authority to change the Act. We do ask however, that the Federal Reserve Board allow more time for the implementation of any regulations under the CARD Act regarding open-end plans other than credit cards.

William H. Trenchard